



Legislation Details (With Text)

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Type: Ordinance **Status:** Passed

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On agenda: 12/4/2018 **Final action:** 12/4/2018

Title: Conduct the first reading on an ordinance amending Article E (Annexation Fees), F (Development, Zoning and Subdivision Fees) and H (Fees for Construction and New Development) of Chapter 9 (Municipal Finances) of the Naperville Municipal Code.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Fee Update Ordinance

Date	Ver.	Action By	Action	Result
12/4/2018	1	City Council	passed	Pass

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Conduct the first reading on an ordinance amending Article E (Annexation Fees), F (Development, Zoning and Subdivision Fees) and H (Fees for Construction and New Development) of Chapter 9 (Municipal Finances) of the Naperville Municipal Code.

DEPARTMENT: Transportation, Engineering and Development

SUBMITTED BY: Allison Laff, AICP, Deputy Director

BOARD/COMMISSION REVIEW:

Not required.

BACKGROUND:

At the November 13, 2018 budget workshop, City Council inquired as to the status of the requested update to the City's building and entitlement fees. Staff noted that due to current staffing levels, high permit volumes, and other pending projects (e.g., e-permitting, 5th Avenue Development, and other special projects), the fee update has not yet proceeded forward. However, based on comments received at the workshop, staff completed a preliminary analysis of costs vs. revenues related to building and entitlement fees and, based on the findings of that analysis, is recommending a phased approach to the fee update project, as further described below.

DISCUSSION:

Background Regarding Current Fee Structure

While the building permit fees were last updated in 1998 and entitlement fees in 2002, staff has regularly reviewed each set of fees in the years that have followed to understand the relationship between the fees collected and the costs expended for these services. Specific to building permit

fees, the fee structure has been established with the goal of this service being cost-neutral, i.e., the fees collected cover 100% of the costs related to these services, including plan review, inspections, permit processing, etc. As of the last formal analysis of building permit costs vs. revenue in 2015, this cost-neutral goal was being achieved. A quick analysis of our revenues and costs for 2017 showed that it was still cost-neutral.

With entitlement fees, partial cost recapture (but not cost-neutrality) is established as the goal, in an effort to promote economic development, as well as to remain competitive with surrounding communities. Entitlement services, which include plan review, staff reports, ordinances, contract negotiation, and legal review, can be very costly, particularly as cases become more complicated; accordingly, establishing fees to make this service cost-neutral could become overly burdensome for property owners and developers. As a result, we previously established entitlement fees to recapture a reasonable amount, but not all of, the costs of this service.

Current Estimated Costs vs. Revenues

Following the budget workshop, staff asked each employee within the Transportation, Engineering and Development Business Group to estimate the percentage of their time spent on building permits, inspections, entitlement, and other non-related work. Using these time allocations, staff applied each employee's salary and benefits to determine the total cost of the services provided and then compared this to the revenue collected for the same services. In summary, the total cost of providing permit, inspection, and entitlement services is approximately **\$2.8 million dollars**, while the total revenue collected through fees for these services is approximately **\$2.2 million dollars**. Based on the preliminary analysis completed, it appears that there is some lost revenue on the building permit/inspection side; however, the greatest revenue gap results from the entitlement process.

Short Term vs. Longer Term Fee Structure Changes

To address the revenue shortfall in the short-term, staff is recommending a 10% increase in permit, inspection, and entitlement fees, which would become effective February 1, 2019 (in close proximity to the 2018 ICC Code Update implementation). This increase will not recover the total revenue gap; however, staff believes that it is a fair increase given the shortfall that does exist, as well as the fact that these fees have not been updated in 15+ years. In addition, based on comparison data from surrounding cities (related to building permit fees in particular), staff believes that Naperville will remain competitive with a 10% fee increase.

In the longer term, staff recommends a more in-depth review of the entitlement fee amount and structure to not only further close the revenue gap, but to also address the following:

- Simplify the fee structure so that it is reflective of a project's complexity and easier for applicants to navigate.
- Bill applicants for direct costs that the City is currently billed for (i.e., public hearing notices, recording fees).
- Create a resubmittal fee, such that projects that are continuously resubmitted due changing proposals or comments not being addressed require payment of an additional fee with the 4th resubmittal (note: fees are currently assessed with first submittal and no additional fees are charged regardless of number of reviews).
- Consider charging an "add-on" fee for services that require more effort than a standard case, such as contract negotiation.
- Create a fee for submittal types that the City does not currently charge a fee for, including temporary uses, site permits/inspections, field changes, and record drawings.

Staff's goal for completion of the more in-depth review of the entitlement fees is end of 2019; however, this timeline is dependent on the status of the e-permitting software and other pending special projects and may require the use of consultant services to achieve.

Staff does not recommend structural changes to the building permit and inspection fee structure, but does recommend regular review to ensure that these services remain cost-neutral moving forward.

FISCAL IMPACT:

Potentially \$200,000 annually.